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Taft, Alphonso

Speeches on  
remonetization of silver...

Cincinnati

1877

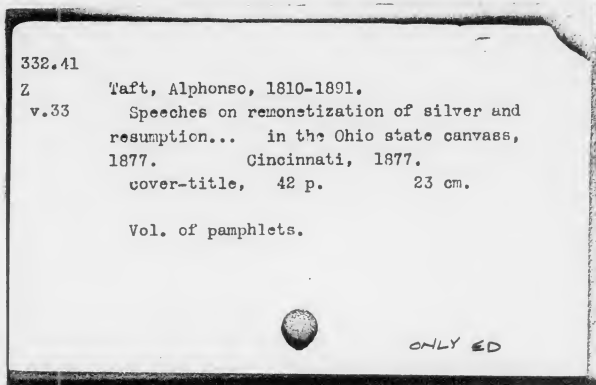
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SPEECHES

ON

# REMONETIZATION OF SILVER

AND

## RESUMPTION,

DELIVERED

BY ALPHONSO TAFT,

IN THE

## OHIO STATE CANVASS,

# 1877.

CINCINNATI:

TIMES BOOK AND JOB PRINTING ESTABLISHMENT.

1877.

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SPEECH

OF THE

Hon. ALPHONSO TAFT

ON THE

REMONETIZATION OF SILVER.

AT

Sandusky, O., Thursday Evening, Sept. 13, '77.

FELLOW-CITIZENS—If all laws prescribing the form and denomination of coins, and giving to them the quality of legal tender, were repealed, gold and silver would still be the practical measures of value for the world, as they were before coinage began, when "Abraham weighed to Ephron the silver," the price paid for "the cave of Macphelah," and as they are now in China, where silver is the only currency, and passes by weight, without regard to its form or coinage. Their indestructible and brilliant qualities, their convenient divisibility, their rareness for other uses, and yet their sufficiency for a medium of exchange, and the utter want of any other metal or material fitted for a universal currency, have long since fixed their destiny, and every attempt by legislation to prevent or defeat that destiny has been a signal failure. Accumulated by the mining industry of ages, they now exist as a reliable and constant measure of the values of all other property in the world. Our ideas of pecuniary values have originated in them—their quantity, and the cost of producing them. How poorly the political world appreciates this universal blessing which Providence has furnished to mankind! The quantity of these metals that has been made available by the labor of man, in all past time, and which now remains in use, amounts to not far from ten thousand millions of dollars, and is almost equally divided between gold and silver. As coins they are durable. "Rust doth not corrupt

them." They are convenient, and every coin is a medal. Coins have brought to our time important historical facts from remote antiquity, and still have been continually used as a true and convenient measure of values. If the quantity of these precious metals, at the present time, instead of being ten thousand millions of dollars, had been but five thousand millions, the prices of all property would have been less. Not that the precious metals are equal in value to the total of all other forms of value, nor that the reduction of their entire amount would necessarily reduce the prices of all property in the exact proportion of that reduction, but that prices do very largely depend upon the quantity of the precious metals, and their distribution throughout the world.

These metals have a use, for which they seem to have been divinely set apart. They perform the certain function of measuring all the values of exchangeable property. If they were more plenty they would be cheaper, and prices would be higher, and if they were less plenty they would be dearer, and prices would be less. Their increase in the world has kept pace with their consumption in the arts, their loss by friction, and the increased demand by the growth of property interests incident to the increase of the world's population and wealth.

I do not mean that, in the thousands of years during which men have been at work in the mines, these metals have not grown in quantity, as compared with other values, and the uses to which they have been destined, and that, consequently, prices have not grown; but that growth has been so imperceptible as to be detected only by the comparison of different centuries.

The supply of the precious metals, therefore, for each generation of people, is practically constant, and forms a just and permanent measure of value for all generations, and for all nations. This is a matter of inestimable importance to the civilized world. Prices have thus been formed in all time on this basis. Our lands, our cattle and our merchandise are all measured by the world's precious metals. These measures of value exist everywhere, and have always existed, and denote the values of all kinds of property as truly as the weights upon one end of the scale show us how heavy a body is that is balanced upon the other. These ideas of value have been the growth of ages. Although different nations have made these metals into different

coins, each putting upon them its peculiar stamp, still the exchangeable value of each foreign coin is easily ascertained, and practically the precious metals form one universal currency, measuring the values throughout the civilized world. Whenever any country or any part of a country attempts to do business on some other currency of less value, prices rise, and we are conscious that these prices are too high. We have a certain instinctive sense of what prices ought to be, and that sense has grown out of the well-known and uniform relation between the precious metals and all other values. So long as the nations adhere to this legitimate money, prices are maintained throughout the world at nearly uniform rates, and exchanges of property and international transactions are effected without material loss or inconvenience. All or nearly all nations have originally used what is properly denominated the double or optional standard of value, regarding both metals as money at a ratio between them which each country prescribes for itself. This has been the general condition of the monetary world from the beginning of history, and from before the beginning of civilization, to the present century. It prevailed in all the great empires of antiquity, and has prevailed equally among christian nations.

The ratio between the two metals has undergone some variations. The prevailing ratio in the Roman Empire was 13:33 to 1. But in some countries it has been greater or less than in others, at the same time. The result has followed that each metal has, for the time being, tended to the countries where it was most highly valued, though *it was lawful money everywhere*. In this state of things it was not very important whether both gold and silver remained in every country, or whether one country should have gold and another silver. The result was the same, or nearly the same, as to the maintenance of uniformity in prices. Both metals were in full use as currency. If one country accumulated too much of one metal, it would flow off to where it could buy more property. The demonetization of either of these metals—that is, declaring by law that but one shall be a legal tender in payment of debts—has been of recent origin, and has a very different effect, from the causing a metal to leave the country by over valuing the other metal. In the latter case the holder of the coin has an option to send his coin to any country, and in using that option will select that where

the ratio is most favorable, if there is a difference. But in the case of demonetization, one metal is absolutely excluded as lawful money. But even this process of demonetization by a single nation of a metal would not have much effect to depreciate it, so long as it is recognized as money, and wanted by all, or a large majority of other nations.

Gold and silver have, therefore, held their own with a nearly constant ratio, till the present century.

In this connection it is well to consider how fortunate it is, that so much has been done in time past in producing the precious metals, and that the stock has become so large in the world that they do not fluctuate, and can not be *cornered*. If the precious metals were all to be remanded to their original condition, and we were now to begin again to extract them from the earth and coin them into money, our currency would necessarily be inadequate and inconstant. A large yield in a particular year, a bonanza in California, or in some other part of the earth, would cause a great and inconvenient change in prices. A loss by accident of a quantity of coin would have a like effect, and it would be easy for stock jobbers and speculators to *corner* the money market. But the quantity is now so vast, and so well distributed over the earth, that the irregularities of production or of consumption have no appreciable effect. They are like the waters of the ocean, which are distributed over the face of the globe, but which, if by chance, or by some temporary cause, they are heaped up in one place, will soon seek their proper level, and if depressed in any one place, will soon fill that place, from the fluid mass above, always tending to a general level. So it is and must be with the distribution and use of coin as a legitimate currency. We can not afford to cut ourselves off from this universal medium of the world, by legal tender paper money; and if we have done so, for some temporary reason, as was our case in the war, the sooner we regain our old relation to the financial world, without unnecessary shock to debtors, the better it will be for both the public and private prosperity. On this subject the country has reason to expect from the Republican party an honest and straightforward policy, advancing steadily and surely to specie payments, while the Democratic party and their platform afford to the country no such assurance.

### REMONETIZATION.

Whether silver shall be remonetized, and on what terms, have become questions of paramount importance to the country, in view of the approaching resumption of specie payments. I am decidedly in favor of complete remonetization, and of the coinage of the silver dollar, containing as it has done since 1792, 371¼ grains of pure silver. This subject has been discussed by many learned writers, philosophers, bankers, politicians and orators of this and other countries. It is of national and of international importance. It affects the convenience of exchanges between different countries, and the relation between debtors and creditors, whether individual or national. In reading any author upon this subject, it is necessary to observe the standpoint of interest from which he writes, and the interest of the country to which he belongs.

It has been said that silver has become depreciated by overproduction. But the statement is groundless. The demand for it has been suddenly and exceptionally diminished by demonetization, and by suspensions of specie payments in countries having silver as their specie standard.

In 1797, England, while engaged in the continental wars with Napoleon, suspended specie payments. Up to that time she had, like the rest of the world, used the double standard of gold and silver. This suspension of specie payments continued about twenty-five years. In 1816, before any serious effort to resume was made, and while neither metal was in actual use, an act of parliament was got through demonetizing silver. That measure was brought about by the aristocratic wealth of England, and was peculiarly beneficial to what has been called the plutocracy, but when the resumption in gold came, it was not beneficial to the English people. Nor can I suppose that, while England stood alone in her exclusion of silver, her position seriously affected the value of that metal. It replaced in other countries the gold which was absorbed by Great Britain, and was as much in demand as before.

But in 1871 the German Empire, which prior to that time had the single standard of silver, and which had just exacted a thousand millions of dollars in gold from France, changed its standard from silver to gold. In 1873, the United States

stopped coining the silver dollar (except the trade dollar for use in Asia, which need not be particularly noticed here), and in 1874, took away its character of legal-tender for sums above five dollars. This accomplished its demonetization. In 1876, France, Italy, Belgium, Switzerland and Greece entered into what they denominated the Latin Union, for limiting the coinage of silver in their respective countries, to protect themselves from the apprehended influx of silver from Germany. Meantime, Russia and Austria, whose specie standard is silver, are under a suspension of specie payments, furnishing no market for silver, and have even let go what they had. This action of the leading commercial nations of the world accounts for the present depreciation of silver.

Mr. Ernest Seyd, in his recent work on "The Fall in the Price of Silver," makes the distinction between nations that are internationally rich and those that are internationally poor, by which we are to understand that nations which are indebted to other nations, or to the people of other nations, however rich in their possessions, are internationally poor, and, on the contrary, that those whose indebtedness is held at home, and the people of which also hold the indebtedness of the Government and people of other nations, are internationally rich. England, Germany, France, Holland, Switzerland, with, perhaps, Denmark and Sweden, are creditors. Austria, Russia, Italy, the United States, the British Colonies, Spain, Portugal, Turkey, with, perhaps, the South American Republics, are debtors. England and Germany may, perhaps, be regarded as the largest creditors. The United States may, perhaps, be regarded as the largest debtor. Her bonds and the indebtedness of her people are held in vast amounts in England and in Germany. England holds more than five thousand millions of foreign securities, Germany more than twenty-seven hundred millions, and France more than twenty-five hundred millions, making an aggregate of more than ten thousand millions, of which England and Germany have more than eight thousand millions. When we realize that the value taken from silver is added to gold, we can comprehend the paramount interest of the creditor nations, at the present time, in regard to the single and double standard.

Whatever enhances the value of the medium in which those foreign securities are to be paid, increases the value of the

bonds, or other forms of credit in the hands of the creditor, and adds to the burden of the obligation on the part of the debtor. The same distinction exists between the interest of the individual creditor and debtor at home. These differences and opposing interests are never to be lost sight of, in the discussion of the currency which is to pay our debts at home, as well as our debts abroad.

I have said that the ideas of the value of property depended on the quantity of the precious metals. Silver has contributed as much to the standard of value, as Gold. It has contributed to the world's stock of coin nearly one-half; for a large part of the history of the world more than one-half, and at the present time it does not fall far below it. Although a much larger amount of silver is used in the arts, yet, when we take into consideration the vast population of Asia, who use silver as their only currency, and the several countries of Europe and South America that use silver as their only standard, or the double standard of silver and gold, and the estimated amount of silver coin existing in those countries, it is clear that in the aggregate silver contributes nearly one-half of the currency in circulation at the present time. The population of the countries which have the silver standard alone is much greater than of those that have the gold standard alone, and, in fact, greater than both those that have the gold standard alone and those that have the double standard; including as they do the most populous nations of Asia, and Austria and Russia in Europe. But the United States are now ranking among those that have the gold standard alone. France still retains the double standard.

The following table is interesting, as showing how the silver and gold have been distributed through the world:

#### COUNTRIES HAVING THE SILVER STANDARD ALONE.

	POPULATION.
Austria-Hungary .....	37,700,000
Costa Rica .....	200,000
Argentine Republic .....	2,000,000
China .....	425,000,000
Columbia .....	3,000,000
Ecuador .....	1,000,000
Guatemala .....	1,200,000
Honduras .....	300,000
India .....	190,000,000
Mexico .....	9,300,000
Nicaragua .....	250,000
Peru .....	2,700,000
Russia .....	86,500,000
San Salvador .....	600,000
Tripoli .....	1,000,000
Tunis .....	2,000,000
Total .....	762,750,000

#### COUNTRIES HAVING THE GOLD AND SILVER STANDARD.

	POPULATION.
Belgium .....	5,350,000
Bolivia .....	2,000,000
Algeria .....	2,500,000
France .....	36,100,000
Greece .....	1,500,000
Italy .....	27,500,000
Netherlands .....	4,000,000
Spain .....	16,500,000
Switzerland .....	2,700,000
Cuba and Porto Rico .....	2,000,000
Total .....	100,150,000

#### COUNTRIES HAVING THE GOLD STANDARD ALONE.

	POPULATION.
Brazil .....	10,000,000
Australia .....	2,000,000
Canada and other British Colonies in North America and the West Indies .....	5,000,000
Chili .....	2,000,000
Denmark .....	2,000,000
Egypt .....	17,000,000
Great Britain .....	31,600,000
Germany .....	42,700,000
Hawaiian Islands .....	100,000
Japan .....	33,000,000
Liberia .....	700,000
Norway .....	1,800,000
Portugal .....	4,300,000
Sweden .....	4,400,000
Turkey .....	28,000,000
United States .....	38,500,000
Total .....	223,100,000

Here, as will be seen, are twenty-six countries still using silver as a legal tender, and sixteen countries in which silver has been demonetized.

Although it appears by this table that gold forms the currency of some nations and silver of some, and some countries have the double standard, yet, in a cosmopolitan sense, we may still regard them as universal. The two supply the world with money. The withdrawal, however, of any great commercial country like the United States from the use of either metal affects its value. But the entire value of the total of both metals remains constant. The prices of the world have, in fact been based upon the quantities of both.

No man can say how much the value of gold or of silver would be reduced if it were demonetized throughout the world; but as both are used mainly as money, it is reasonable to suppose that it would lose more than half its value. The recent fall in the price of silver has not been caused by any over-production of that metal. It is to be remembered that in 1873-4, when the legislation was enacted by Congress which demonetized silver, it was worth more than gold by three per cent., according to the legal ratio of sixteen to one existing here between gold and silver. Since that time there has been



a fall in the price of silver. It has not been by the over-production of silver, for the plain reason that the statistics of the mining of these metals show that during each year since silver was demonetized, the product of gold has been greater in value than that of silver; and, in the second place, this very fact of demonetization of silver on the part of the United States, together with the change of the German Empire from the silver to the gold standard, with the pressure on the part of England to proselyte other nations to its policy of the single standard of gold, account in the most satisfactory manner for the depreciation of silver. If the whole civilized world should demonetize one-half of its precious metals, the effect would be to leave us in the same condition as if the entire currency of the world were contracted to that extent. The demonetizing of silver, or of gold would have substantially the same effect. England, Germany and the United States are not the whole world, and cannot drive silver from France or the Asiatic nations; yet, by driving it out of their own realms, they can depreciate it. It would remain money in other parts of the world, but by withdrawing the markets of England, Germany and the United States, the demand for it would be greatly reduced; at the same time the demand for gold would be equally increased. It was clearly an oversight when the United States followed England and Germany into the demonetization of silver. It was not the work of either party; it was an inadvertence. But it was a plain contraction of the basis of our currency, and, as we had immense debts to pay to England and to Germany, we wanted all our legitimate currency to pay them with. England and Germany, as we have seen, held enormous amounts of our bonds, and bonds of other Nations, and were interested to have the interest and principal paid in a medium as valuable as possible. If, by the demonetization of silver, gold shall be made more valuable as compared to property, their bonds will be just so much more valuable to them, and will be just so much harder for the United States to pay, if they shall submit to the contraction of their own currency by excluding silver. The amount they will gain by the decline which has been already brought about through the demonetization of silver and the appreciation of gold, is more than seven per cent. on the whole amount, and will go on increasing, unless it shall be

resisted and checked. The United States was, and is under no obligation to join in the crusade against silver. In 1873, it is true, when the silver dollar was three per cent. more valuable than the gold, Congress ceased to coin silver, and in 1874, by the Revised Statutes, it limited its use as a legal tender to five dollars. As our currency in circulation consisted, and still consists of paper, the effect has been less in the past than it will be in the future, if this state of things continues.

Of the power of Congress to restore silver to its old place in the currency, I have no doubt. The American silver dollar, as adopted in 1792, was the successor to the Spanish milled dollar, which had been made a legal tender by act of Congress, and was in general circulation. It contained the same quantity, viz:  $371\frac{1}{4}$  grains of pure silver, and it has remained the same to this day, notwithstanding the change made in the gold dollar when, in 1834, the ratio of 16 to 1 was adopted in place of 15 to 1. The Funding Act of July 14, 1870, for the purpose of retiring the five-twenty six per cent. bonds, provides for the issue of bonds bearing interest at five, four and a half, and four per cent., to the aggregate amount of fifteen hundred millions of dollars, which were made "redeemable in coin at the present standard value, bearing interest payable in such coin." In the Resumption Act of 1875, the Secretary of the Treasury was authorized "to issue, sell and dispose of, at not less than par in coin, either of the description of bonds of the United States described in the act of Congress approved July 14, 1870." All the bonds of the United States, therefore, whether under any of the acts of Congress prior to the funding act of 1870, or under that act, are redeemable in coin of the standard value of July 14, 1870, of which the ancient silver dollar was one. I find nothing in our legislation to prevent a provision, by act of Congress, for coining the silver dollar, to be a legal tender without limit. On the other hand, the remonetization of silver will not prevent us from paying our bonds in gold. It is not necessary that I should say in this discussion what discretion ought to be exercised by the Government in the use of silver or gold coin in the payment of bonds which may have been taken under assurances that they would be redeemed in gold. Our government will, undoubtedly, act in the highest good faith, and will not permit purchasers of

bonds to be deceived as to the medium in which they shall be paid.

Congress could, by express enactment, provide for the issue and sale of bonds payable in gold. But all that is material to this discussion is the conclusion that there is no constitutional, or legal, or moral objection to the provision by act of Congress for the coining and putting into circulation the old silver dollar, and making it an unlimited legal tender in payment of debts.

But aside from the question of constitutional power there is nothing in the history of the country, nor even in the legislation of the country, that ought to create the expectation on the part of the creditors, national or individual, that silver should be permanently excluded from the currency of the United States. All changes in the standard of values affect the relations between debtors and creditors, and should not be made without clear and urgent reasons. They are sometimes unavoidable. But how much more just would it be to restore silver to its old place now, as we are about to enter upon the resumption of specie payments, than it was three years ago, to exclude it? That was an incipient wrong, which has done more by its influence abroad to depreciate silver, than by any actual disuse at home, for the reason that our currency in circulation has been paper. What influence our legislation against silver may have had in its depreciation, we shall not know until it has been restored. But in the great warfare of England for the exclusion of silver, we find ourselves unexpectedly, and against our own interests, on the side of England.

It is claimed that silver is so cheap now, that it would be a sort of repudiation to pay our debts in a medium so much less valuable than gold. We have seen how it has happened that the value which has been taken from the silver, has been added to gold. By restoring the silver dollar it is probable that it would so far regain its old value as to be equal to gold, which it exceeded, when demonetized, by three per cent. It is urged by some who advocate the double standard, that the old ratio of sixteen to one, which was adopted by the act of 1834, isolates the United States from the rest of the world, and will drive gold out of the country.

Mr. Cernuschi, who was called upon to testify before the United States Monetary Commission, and who has written

learnedly upon the subject, insists that the ratio of fifteen and one half to one, which is the ratio adopted by France and the Latin Union, should be also adopted by the United States, and he goes so far as to say that unless we adopt that ratio, it would be better to "maintain greenbacks." I am at a loss to understand how he could entertain such an opinion. But he is, after all, a citizen of France, one of the creditor nations of the world, and not concerned as a debtor in the payment of international debts. He seems to overlook the vast interest which the United States has as a debtor to England and France and to Germany, in the discussion of this subject, while he confines his attention to the matter of exchanges, and the question of what country shall have the most gold in actual circulation.

An act changing the ratio from sixteen to one, to fifteen and a half to one might not be unconstitutional. But all our existing debts were contracted while our legal ratio between silver and gold was sixteen to one, and such an act would authorize the payment of our bonds with a less amount of silver, than would have been required by law when the bonds were issued.

It is not at all probable that the acts demonetizing silver would ever have passed, if the use of metallic currency had not been at the time suspended. It is a remarkable coincidence that England was led into the same measure, while under suspension of specie payments. This also accounts, in part, for whatever financial distress followed the resumption, a few years after, on gold alone. We do not propose to fall into the same mistake.

There are many reasons for retaining silver as a standard of value. Mr. Cernuschi makes a good argument in favor of England's returning to the bi-metallic standard, and shows how much better it would be for her East India colonies, that use the silver standard alone, and by the present depreciation of that metal are made to deal with England at a ruinous loss. Yet England is inflexible. He shows how much more convenient and fair it would be to use both metals, and looks to either a general agreement among nations in favor of the remonetization of silver, or to a concurrence of the Latin Union, consisting of France, Belgium, Italy, Switzerland and Greece, with the United States, to withstand the influence of England and Germany. In all this speculation concerning the supposed

"parliament of man," and in the prediction of failure unless we act with the Latin Union, and make the ratio of our silver coin fifteen and a half to one instead of our old dollar, which is sixteen to one, he evidently is looking to the reasons which should influence a Frenchman, rather than to those that most interest the United States. Undoubtedly it would facilitate international exchanges to have the same ratio adopted by all nations, and if not by all nations, by as many as practicable; but the great reason that is and should be paramount with us, that we owe moneys at home and abroad which we have agreed to pay in silver or gold, with the ratio of sixteen to one, bears differently on France, which is a creditor with no foreign debts to pay. While we may well go to France, therefore, for her experience and advice, we may not follow her advice too implicitly.

England and the United States have distinct interests on this subject, not only as creditors and debtors, but also as producers of the precious metals. Gold at present is chiefly a British product, as will appear from the following estimated annual gold product of the world, at the latest dates for which the statistics are attainable in the various reports:

The United States, 1875.....	\$26,000,000
Australia, &c., 1872 .....	58,000,000
British Columbia .....	2,000,000
Canada and Nova Scotia.....	500,000
Other British possessions and British Isles.....	1,500,000
Total British possessions.....	\$62,000,000
Balance of the world.....	30,000,000
Total world .....	\$118,000,000

From this table it will be observed that of the \$118,000,000 which represents the annual product of the world, fifty-two and one-half per cent. was obtained in countries over which the British flag waved, or which were subject to British domination.

Silver, on the contrary, is at present chiefly an American product, as will appear from the following estimate. The most authentic returns I have been able to obtain are for the year 1873, as follows:

Great Britain and Colonies.....	\$1,000,000
Sweden and Norway.....	250,000
Russia .....	500,000
Austria-Hungary .....	1,000,000
German Empire.....	3,000,000
France .....	2,000,000
Italy .....	500,000
Mexico.....	20,000,000
Central America and South America.....	8,000,000
Canada.....	900,000
United States.....	36,500,000
Total .....	\$76,250,000

By still more recent returns it appears that at the present time the entire annual product of silver is but about \$70,000,000, of which the United States produces \$45,000,000, and all the rest of the world less than \$30,000,000. England and her dependencies produce less than \$2,000,000. These figures, together with the characteristic insular sentiment of England wherever she has an interest, account for her utter indifference to the fate of silver, which she neither mines nor coins.

If we allow the war upon silver to go on with our concurrence, or without our determined opposition, we betray our own interests as producers of silver. That, however, is far less important than that we maintain our right to the aid of silver in resuming specie payments, and in paying our debts. These two reasons have small influence with France, which has no foreign debts to pay, nor any silver mines to work. Her writers, therefore, like the English, may well be expected to have but a faint appreciation of our case.

Our people are also divided into two classes, according to their own individual interests, that is, into creditors and debtors. The large creditors are much more likely to join in the crusade against silver, than those who have large debts to pay. Hence, we witness powerful efforts to form public opinion on the subject, and the press is, to a large extent, controlled by the authority of wealth, in large cities, where the money power is most felt.

The general object should be to have each metal coined at its intrinsic value, that both metals may be retained in our circulation. This, the opponents of silver say, is impossible. But it can be done as well as it has been done in the thousands of years of silver coin which have passed. It has been said, by

way of discouragement, that we have been unfortunate in our past experience, because we have sometimes a little over-valued one metal, and sometimes we have over-valued the other, and have been able to have in full circulation but one at a time. It is desirable that both silver and gold coin should circulate at the same time, and I am persuaded that such will be the case, to a large extent, if the old dollar shall be restored and coined freely. France keeps her gold and silver coin in full circulation, at a ratio of fifteen and one-half to one, thus valuing silver at three and one-third per cent. above our standard, which is sixteen to one. Yet her gold does not depart from the country. She would not take our silver, for the reason that she has what silver she wants, and limits her coinage of silver. She holds both silver and gold in convenient proportions.

Germany, it is supposed, would flood us with silver. But the silver that Germany has, is not demonetized. It is an unlimited legal tender. It has only stopped its coinage, and I do not believe that if the American Government shows that it intends to stand firm, Germany will be willing to part with her silver at our ratio of sixteen to one. We have reason to expect that our silver coin, with its ratio of sixteen to one, will regain a part of the value lost by the demonetization and the general war upon it, and that as it was before three and one-third above gold, it will rise to par with it by the time we shall have drawn from the silver market a hundred, or a hundred and fifty, or even two hundred millions which will not be more than a reasonable supply. At any rate, it would be a grave wrong to ourselves to permit our silver coin to be depreciated below its intrinsic value by the adverse influence of our creditors, without an effort to maintain it. And as it is obvious that our remonetization of silver at the old ratio would raise its value as compared with gold, we should not give up that advantage.

Nor is there any danger from unlimited coinage. It would require three years to coin a reasonable supply of silver for one-half of our metallic currency. Meanwhile its tendency will be upward. If there should ever be any occasion to interpose by law to restrict the coinage, which I do not believe, it could be done when we shall have become as well supplied with silver coin, as France and Germany now are. If France had no more silver coin than we have, she would not have thought of restricting the silver coinage.

But if it should turn out that our silver is really over-valued, which I do not believe, the ratio itself can be changed after a full opportunity to observe the course of exchanges, and the effect of remonetization. As silver was not over-valued in 1873 and 1874, when it was demonetized, and as the new product of silver has since that time been less than that of gold, the presumption is that it is not over-valued now, and we are bound out of a decent respect for ourselves and our national interests, to try it.

There is not likely to be so much difficulty in fixing and maintaining the proper ratio between gold and silver as some have supposed, for the reason that if the Government establishes, as it has done, a ratio which it regards as correct, and which is not in fact, far from correct, the miners themselves will help to keep them *in equilibrio*. If it shall be more profitable to mine gold, they will let the silver mines rest, and *vice versa*. So potent is law on this subject, that a concurrence of the nations in establishing a ratio would make it permanent and universal, and both metals would circulate freely.

It is not of the greatest importance that the precious metals should be in the United States in equal, or in anything like equal proportions. It should be our object to make the ratio as correct as possible, and if the different nations could agree upon the ratio, there would be no more difficulty on that subject; for the law and the mining interest together, would hold them in their respective orbits, as surely as gravitation holds the earth and the moon in their circles around the common centre of gravity.

But I regard the idea of anything like a universal agreement of the nations on this subject, at present, as chimerical. I see not the slightest ground to hope that England will give up her position and prejudices against silver. Professor Jevons, I think, represented the English mind on the subject at the meeting of scientific gentlemen at Saratoga, a few days since, where he seemed to complain that the United States should stand in the way of having silver cheap enough to be used for culinary and household purposes, and declared that nothing could change the English Government and people from their position. He assumes that the United States will stand alone, or only with such nations as China and India. It is quite

impossible to imagine an intelligent mind more entirely oblivious of anything outside of the self-interest and prejudices, or what he himself describes as unreasonable "conservatism" of the ruling classes of that country on the currency.

This waiting for the "parliament of man," or waiting to have an agreement with nations whose interest, if not hostile to, is different from our own, would prove a failure, and be wholly unworthy of our national character. We can meet these nations hereafter, whenever they shall invite us, or show an encouraging disposition. Meanwhile, we have to resume specie payments, and, with gold and silver money we can do it. But we have no time to lose. It is important that our mints be run to their full capacity. It will require more than three years to get out as much silver as we can conveniently use, without detriment to the gold we must also have. There is at present estimated to be from one hundred and fifty to two hundred and fifty millions of dollars of the precious metals in the country, one-seventh only of which is silver.

Among the alarming consequences of our coining the old silver dollar, it has been said that we should be flooded with the old silver thalers of Germany, which are supposed to be thrown out of use at home by the change from the silver to the gold standard of the German Empire, in 1871. It is not worth our while to be too easily alarmed. In the first place, if the Germans send us their old silver for our gold, they will have to pay the market rates for it. But when the standard of value was changed in Germany, how was it done? The gold mark, of 23.82 cents, was made the unit of value, and the silver thaler was retained as an unlimited legal tender, one thaler valued at three gold marks, and the coinage of the thaler was stopped. The thaler is as good as ever to the German, and the ratio at which it is a legal tender is about fifteen and one-half to one; that is, one ounce of gold in Germany is worth but fifteen and one-half ounces of silver in the payment of domestic debts and in the purchase of property. Is it probable that the thrifty Germans will bring their silver to America and pay it off for gold at our ratio of sixteen to one—that is, buy one ounce of gold for sixteen ounces of pure silver, and take the gold home where it would not be legally worth but fifteen and one-half ounces of silver? If so, let them come. We want silver from

some source, and may as well take it from them as from others. There should be no limit to the legal tender of silver, and the coinage should be pushed vigorously, and I do not believe it necessary to enact any limit to the amount to be coined, as the Latin Union have done by agreement. Our condition is not that of the Latin Union. If the course of events shall make it necessary, as I trust it never will, a restriction can be enacted in the future. Three years hence will probably be soon enough to make any such provision. An unnecessary limitation would tend to discourage our friends abroad, who are also interested in maintaining the position of silver as a currency. The proselytism of England on this subject is fearful. She shuts her eyes to the interest of her vast Asiatic colonies from which she has derived so much of her wealth, where silver is the principal, if not the only currency. By depreciating silver she has caused her own colonies to deal with her at a loss of from ten to twenty per cent. on all their immense annual transactions. That the home Government should be willing to depreciate the necessary circulating medium of such rich and populous colonies under its protection, would be a righteous cause for resistance and rebellion. The Government of India is reported to have declared, "That famine, war, and drought are for India lesser evils than is the depression of silver in London."

Whether it be expedient for our Government to make the coinage of silver free to all comers at the cost of mintage, or to coin only on Government account, may not be at present entirely clear. Free coinage is to be preferred, unless there should be developed some inconvenience or danger, which I am not willing to anticipate. But the essential thing is, that the silver mints should be immediately employed to their full capacity, until the country is well supplied with silver coin, both the subsidiary coin and the silver dollar.

Mr. David Wells, who has taken an interest in this subject, has communicated his views to the public. He takes ground against the silver dollar, and his principal, if not only reason, is that silver is too heavy and bulky to be carried conveniently in the pocket. For small change it would be more convenient than gold, and I think it would, to a considerable extent, take the place of one dollar notes. There can be no doubt that the silver dollar would be popular with the people. But what

renders the objection of Mr. Wells groundless is, that the American people are accustomed to have their money, for any considerable payments, in the form of paper, and would not carry either silver or gold in their pockets, beyond very small sums. Our business transactions will be carried on in some form of paper circulation. The greenbacks already issued will be made convertible, but will probably remain in circulation, until further legislation shall require them to be "retired and cancelled." We shall unquestionably have banks, and the Government may issue notes for circulation, not as legal tender, but to be convertible into specie. I do not propose, in this speech, to discuss the question what paper shall be used as our ordinary circulation. But the provision already made by the National Banks and by the free banks, all of which are required to make their paper absolutely secure by the purchase and deposit with the Government, of Government bonds, with power in the Government to sell them, if needed, to pay the circulation, affords as good a currency as can be desired. No system could be more absolutely secure, and I am sure that the Republican party will never consent to authorize any banking to be done with paper less secure. The system of State banks, which the Democratic platform of 1875 recommended, would fall far short of this National security. I think that the Government should not, itself, become a banker by issuing any more circulation. The power to create circulation is a dangerous power to place in the hands of a body of politicians. No one can tell what might some time be done by them under high political excitement.

The National debt has a felicity in furnishing security for bank paper, beyond anything hitherto discovered. It is to be hoped that neither party will prove so reckless of the country's safety, as to reject the plan of supplementing, by National bonds, the ordinary reserve of coin in bank for the payment of the circulation. By the observance of this caution we may have a plentiful supply of paper circulation for business purposes, without risk of any possible loss to the public. Its prompt convertibility will rest on the specie it represents, while its absolute security from loss to the holder will rest upon the public credit. Meantime the gold and silver coins will be in use, sufficiently to make us familiar with their peculiar beauties for

both the eye and the ear. Business men will be happy, because they can find encouragement for their best energies. Capitalists will be happy, because there will be no longer a want of profitable investment for their capital. Workingmen will be happy, because they will no longer want employment at remunerative prices. The National credit will certainly suffer no serious injury. With the balance of trade with Europe in our favor, and increasing, with specie payments well assured, and with all our mines and our mints in full operation, and our public debt showing a reduction every month, our public credit can not be successfully cried down by all the bulls and bears that infest the money markets of the world.

## THE POLICY OF RESUMPTION.

### SPEECH OF JUDGE TAFT, AT

Cincinnati, O., Saturday Evening, September 15th, 1877.

FELLOW-CITIZENS—The historian, who in the future shall record the great political events of the nineteenth century, will find none more important to the liberties of mankind, than those which have transpired on the continent of America during the sixteen years in which the Republican party has controlled the destiny of the United States. The Republican party came into existence of necessity. The perils of liberty compelled the friends of free government to resist the tendency to barbarism and slavery. No party has ever had such questions to solve, nor such formidable oppositions to overcome. It has grappled with the greatest questions, deliberated upon them, decided them, and executing its decisions, has advanced to other problems which could not be avoided. It has been courageous, thoughtful, and in the main, consistent and successful. Its achievements form, and will ever form, the most interesting and brilliant chapter of American history.

Of the Democratic party it is only necessary to say, that it has consistently and strenuously opposed all the great and necessary achievements of the Republicans; that in doing so, it has belied its ancient and time-honored principles, and forfeited its claim to the confidence of the country.

Much as the Republican party has already accomplished, there remains a broad field for future achievements. I do not propose to enumerate all the important principles and measures to which it stands pledged. The most instant and pressing problems now to be solved, relate to the resumption of specie payments and to the currency. The stress of civil war, which destroyed our

credit abroad for the time being, made it necessary to issue the greenbacks and make them legal tender in payment of pre-existing, as well as future debts. Nothing but the exigencies of a great war could have justified the Government in such a measure. In the opinion of the Supreme Court of the United States and in the judgment of mankind the Government was justified in resorting to this extraordinary measure, and the Supreme Court but expressed the enlightened opinion of the civilized world, when it said, that the justification for such a measure would cease with the passing away of the emergency.

As the Democratic party opposed the war for the Union, and this necessary measure to carry it on, so when the war had been successfully brought to a close, it has opposed the recurrence by the Government to a sound currency, and now insists upon the continuation, in time of peace, of the issue of irredeemable legal-tender paper, which could and can only be justified by the emergencies of war, demanding "the immediate repeal of the Resumption act," and calling for the "retention of greenback currency." The reading of these clauses of the Democratic platform for 1877, in connection with that adopted by the same party in Ohio, in 1875, "demanding that the volume of the (paper) currency be made and kept equal to the wants of trade," and with a clause in the National Democratic platform of 1876 denouncing the Resumption act of 1875, and "demanding its repeal," shows that party to be utterly reckless of the obligation of the country to return to a sound currency.

The issue of legal-tender paper, though necessary, was a temporary expedient, and was so regarded by the people at the time; and when the war was over, in 1865, both parties concurred in the enactment of a law authorizing the Secretary of the Treasury to take up four millions of greenbacks per month, in order to reduce the currency to its normal and proper volume, and facilitate the return to specie payments. The Secretary of the Treasury, Mr. McCollough, proceeded under that authority until he had withdrawn forty-four millions of the greenback currency, when Congress moved by political alarm and outcry, withdrew the authority. I have always believed that if that measure had been suffered to proceed, we should have long since been able to resume specie payments without detriment to business, and should have avoided the panic of 1873, and many other

embarrassments. The difficulty in resuming specie payments is mainly political. The party which is out of office is able to avail itself of the possible reduction of the currency to its normal condition preliminary to the resumption of specie payments, to create an alarm in the public mind, by repeating and vociferating in the popular ear, that contraction is ruining the country, charging every man's poverty, and every man's disappointment upon the Government, and by asserting that all the suffering and all the distress to which human life is always heir, are chargeable to the want of irredeemable paper currency. The Republican party having the control of the National Government, and responsible for the proper measures to secure a sound currency, though much delayed in its action by this political opposition, has made decided progress; and, whereas, two years ago, in 1875, when the Democratic orators in Ohio were urging a continuance of the greenback currency as they are to-day, the difference between paper and specie was more than thirteen per cent., it has now been reduced to four, and from week to week is "growing beautifully less."

Nevertheless, the Democratic orators now, as confidently as then, declare against the return to specie payments, and seem to be disappointed that we have come so nearly to a sound currency. There has been a depression in various branches of business for a considerable time. They avail themselves of these circumstances to charge all the inconvenience of such depression to the want of currency, when the evidence is perfectly clear that it is not want of currency, but want of business, that has caused the depression. The chief embarrassment of the Democratic leaders now arises from the apprehension that a thorough revival of business is approaching. But, as the rising credit of the country and the reduction of interest upon its public debt has not discouraged their opposition to the financial measures of the Government, so a revival of the business of the country and universal prosperity will not prevent their reiterating and vociferating the coming on of ruin, for the want of irredeemable paper currency.

Their complaints and their denunciations are groundless. Their sinister predictions are vain. It has been found impossible in the history of the business world to avoid occasional, if not periodical panics and depressions. Any unusual general

change in investments in a country is likely to be followed by disappointment to some, and even in times of peace, business depressions and panics have occurred as often as once in eight or ten years in our country, and oftener in England. In the history of our country, during the last sixteen years, under the Republican Administration, the wonder has been that more, and more frequent financial panics have not been experienced. The vast demand in time of war for the productions of our manufacturers of iron, cotton, wool, and of all the materials of war, and of everything that was made necessary by the war, caused the sudden expansion of the manufacturing power of the country, and the investment of the great majority of the capital of the country in the manufacturing establishments which sustained and carried the army through its four years of service. When the war was over, capital, with its characteristic inertia, remained in the gigantic establishments where it had been placed during the war, and produced iron and other articles of manufacture far beyond the wants of the country in time of peace. The result has been great over-production in the country. The natural consequences of this over-production to labor and industry, was postponed by the energy of business men and the prudence of the Government, from year to year, far beyond the time fixed by the philosophers and political economists of the Democratic party. But the effects of the necessary change of capital from the purposes to which it had been directed, in time of war to other and different investments, though for a time postponed, could not be entirely avoided.

Those effects are sufficient to account for the panic of 1873, and the embarrassments which the business of the country has experienced, since they involve not merely the great and various changes of the investments of vast amounts of capital, but also a change of the employments on the part of the people, who had been collected from the country and agricultural employments, to the cities and populous points, where the great manufacturing establishments were carried on. It has become necessary that the population so called together should, to a considerable extent, be again distributed to agricultural pursuits, where they may be equitably compensated for their industry. From this general cause, dissatisfaction among the employed, and disappointment among the employers were inevitable.



Time and the characteristic good sense of the American people, both those who have acquired, and those who, by their labor, are acquiring capital, will readjust the various industries of the country, and mollify and finally remove the hardships of which they now complain. This desirable consummation may undoubtedly be facilitated by legislation in collecting and distributing correct and practical knowledge of the facts, from which every man can form a just judgment of his own interest.

But our Democratic speakers assume without proof, that the sufferings of the people of this country exceed the sufferings of all other people, of all other countries, and of all other times, and that they have but one cause, and that is the want of irredeemable paper money. They assume this as a fact without proof, and against the plainest evidence. The credit of our country never was better. No Government has yet been able to negotiate its bonds at par, for less interest than four per cent., and here at home, money has never borne a less interest than it does at the present time, nor at any time have there been larger amounts of unemployed capital in the form of currency than at present. What good, then, could an increase of the volume of currency do to the laboring, or any other class of the community?

Now, the fact that there is abundant money accumulated, ready for use, and as much capital as there ever has been in the form of unemployed currency, shows that is not want of currency that keeps men out of profitable employment. It has been assumed by the Democratic orators that the contraction of currency produced the panic of 1873, and has produced all the financial embarrassments since. This assumption is made absurd by the fact that there was no contraction in 1873. The volume of currency remained as large as it ever had been before, and very much larger than it was before the war.

It is true that there was during the war, and for a year or two afterward, growing out of the settlement of the war claims, an amount of floating and temporary debt, in the form of Treasury notes bearing interest, compound interest notes, and certificates of indebtedness, which General Cary and Mr. Ewing, in the political campaign of 1875, called currency, and because they were paid and merged into a funding debt, they called it contraction of the currency. This had all happened, however, previous

to the first election of General Grant to the presidency, five years before the panic. The legitimate currency of the country, consisting of the United States notes and the circulation issued by the banks, amounted to about seven hundred millions of dollars, and from 1868 to 1873, when the panic occurred, the amount had increased, instead of diminished, fifty millions, and that is the contraction, to which these Democratic philosophers ascribe the panic. It is also to be borne in mind that during the entire first term of President Grant's administration the business interests of the country were unusually prosperous. There was no lack of currency to do the business of the country; employment was plenty, and business enterprises were entered upon with hope and success. The panic came with the same volume of currency that had existed, slightly increased, and that volume of currency has not been sensibly diminished since. There is the same plethora of currency now that there was before, and the only diminution that has happened in the circulation has arisen from the voluntary surrender by the banks of the privilege of issuing currency which they could not profitably employ, amounting to not exceeding fifty millions, leaving the currency slightly less in amount, while in its value, it is vastly greater than in 1869, when the presidency of General Grant commenced, and when business was brisk.

Another evidence of the futility and falsehood of the statements of the leaders of the Democratic party is, that since 1875, when the Resumption Act was passed, we have had a law authorizing free banking, so that any man is free to enter the banking business, and issue currency on the reasonable terms of that act by giving the security which the law requires to protect the holders of the currency issued. If there were really any actual demand for a greater amount of currency than now exists, there would be inducements for men of capital to enter into the banking business under the law of Congress authorizing free banking, and issue more currency. This is a demonstration that the outcry against contraction of the currency is wholly groundless, and a mere trick of the stump. Hard times, therefore, are not caused by want of more paper money. Really, good times, ought not to be expected until we have returned to the standard currency of the world, based upon gold and silver.

Until such return, there will necessarily be apprehension and fluctuation. The suspension has been too long, and creates distrust. Gold and silver have measured the values of all nations, from the beginning of civilization. The business men of the country, and the people are conscious that any currency not based upon gold and silver, is irregular; and that the financial affairs of the country will never be at rest until it returns to its historical money. Capitalists are cautious how they allow their funds to go out on such long credits as are necessary to the encouragement of enterprise in business, and enterprising men without capital, are not willing to go into business on borrowed capital for a like reason. Confidence is a great matter in finance.

As the time approaches for the resumption of specie payments under the act of 1875, the Democratic leaders of Ohio, forgetting that their party helped to pass the act, though some opposed it because it delayed resumption too long, denounce it because it fixes a day for resumption, and demand its repeal. "Resumption may be a good thing, but the fixing a *time* when it shall come, is ruinous." By a singular infelicity these eloquent orators have referred to France as authority in favor of their claim for paper money, and as an example of what they regard wisdom in affairs of finance and currency, overlooking again the important fact that France has set a day, the 1st day of January, 1878, for the resumption of specie payments, and that the financial world expects the return of France to specie payments on that day with the same confidence that it expects the next New Year.

The day fixed by our law is one year later, January, 1879. In this we follow not the example of France only, but of every country that has ever resumed specie payments, after having once embarked upon the uncertain tide of irredeemable paper. It is important that the financial world and the people should know when that great event is to occur, in order to prepare and be ready for it. It is now manifest that all the various interests of the country are preparing for this necessary event. The greenbacks are approaching gold in value, and it is no longer difficult to foresee that before the 1st day of January, 1879, they will be equal, to the infinite advantage of every kind of industry, and to the disadvantage only of croaking politicians.

None will be more benefited than the workmen of the country. Capital will no longer doubt and hesitate, but will go into business enterprises, and the workman will receive the reward of his labor in the same currency that pays the interest of the bondholder. The young giant of American industry may well be timid while wafted about in the balloon of paper money, but when he shall once more stand upon the solid ground, he will resume his natural strength and vigor.

I have said that the allusion by Mr. Ewing to France as furnishing an example in favor of the financial policy which he advocates against resumption, and against the fixing of a day for resumption, was unfortunate, because France is about to resume, and has long since fixed the day of resumption. But his allusions to the financial history of France, and to that of England, are equally unfortunate, for the reason that in the long experience of each of those countries, the ruinous consequences of his policy of an irredeemable paper currency, have been demonstrated beyond doubt or dispute. It was in France, where John Law as the Comptroller General of the Finances of the Kingdom, first introduced his "system" of an irredeemable paper currency, more than a hundred and fifty years ago. He was annoyed by the tendency of gold and silver to go abroad.

He said:

"BUT HERE IS THE SOVEREIGN REMEDY FOR THIS ILL; IT IS TO GIVE THE PEOPLE A SIGN OF TRANSMISSION [currency] OF WHICH THE MATERIALS SHALL BE OF NATIVE GROWTH, THE VOLUME OF WHICH THE PRINCE MAY AUGMENT AND DIMINISH, IN ACCORDANCE WITH THE WANTS OF THE STATE AND OF COMMERCE, AND ABOVE ALL WHICH SHALL HAVE NO INTRINSIC VALUE." *Lettres sur le Nouveau Systeme des Finances. Economistes Financiers du XVIIIe Siecle*, p. 675. Paris, 1843. Guillaumie.

Nothing could more precisely express the idea of the Democratic financial platform of 1875, if we substitute "the Congress" for "the Prince." And if we are to take the opening speech of Mr. Ewing as a fair representation of the Democratic platform in the present year, we are bound to conclude that the same hostility to a sound currency, redeemable in coin, controls the Democratic party now. Neither Mr. Law, as "Comptroller

General of the Finances of France," looked for resumption of specie payments at any time, nor does Mr. Ewing, or the Democratic party of Ohio look for specie payments; but, on the contrary, they both and equally would "give the people a currency of which the materials shall be of native growth, the volume of which the Prince, or the Legislature may augment and diminish, in accordance with the wants of the State and of commerce, and above all, which shall have no intrinsic value." Law had intelligence, a fervid zeal and great financial ability, with the whole power of France to sustain his plan. It is not necessary that I should detail the working of his "system," as it has always been called. It went into operation with the highest hope, promising relief to all the distressed classes and to the State. For a brief period it gave apparent prosperity, but in a few years ended in general financial ruin and misery to all grades of people, from which they slowly, but gradually recovered, by industry and by *specie payments*.

But some seventy years afterward, this same France, in the time of the famous revolution of 1789, was again lured into the adoption of the same principle of irredeemable paper money, under a more specious form. The Government had confiscated the real property of the Church and priesthood to an enormous amount, estimated at four thousand millions of francs. It was urged in the French Chamber of Deputies, by the renowned Mirabeau and others, that the paper issued as circulation known as *assignats*, based upon this vast amount of public property, would be secure, and as good currency as gold and silver coin. An issue of four hundred millions was authorized, which was made by law the limit. It awakened speculation, and created high hope of business prosperity. It was soon exhausted, however, and the cry was raised for another issue, which, after long deliberation and debate, with full consideration of the past experience of the Nation, was authorized, but another limit was solemnly fixed by the statute at 1,200,000,000 francs. As soon as the business and prices had become adjusted to that amount of currency, hard times came on again, and the irrepressible clamor arose for more money. After a mighty struggle the House of Delegates again yielded, and one issue after another succeeded, until nine thousand millions had been issued. The public had lost all confidence in it, and it was worthless. An

attempt was then made to revive the credit of the country, by specifically pledging the vast amounts of property of the nobility, which had been confiscated by the Government, to secure the issue of a new paper under the name of *mandats*. They were doomed to the same utter and disastrous failure which had followed the *assignats*. No prosperity came to France, till it was *worked out* through the medium of gold and silver, in which all business men had confidence.

By these great historic lessons France has been taught to avoid irredeemable paper currency, and that if in any great emergency, like the German invasion, or like our own American civil war, it is necessary for a temporary purpose to borrow money under the form of a paper currency, the Government should immediately determine to return to specie payments, fix a reasonable day for that purpose, and work resolutely and inflexibly to that end. The French Government, acting upon that principle, when, in 1871, it was compelled to issue paper money in order to pay a thousand millions of dollars in gold to Germany, immediately determined to return to specie payments in six years, and fixed the 1st day of January, 1878, as the day, and the policy of the gradual contraction of the paper currency was openly declared, adopted and carried out. The people of France and the financial world understand the sincerity and determination of the French Government, and have no doubt that resumption will come, as provided by law. Meantime, French industry was never more active and prosperous, and the paper currency which was destined to be equal to gold and silver on the 1st day of January, 1878, has become so already, in anticipation of that day, without shock to business or any just complaint from the rich or the poor.

We need no stronger argument in support of the Republican policy of a recurrence to specie payments. The 1st of January, 1879, will be about seventeen years after our suspension in 1862.

The example and the argument derived from the history of France are complete, to show, not that in an overwhelming emergency credit money may not be issued, but that it can be justified only by such an emergency, and that, when issued, the Government is bound to provide, at the earliest practicable moment for specie payments. That no unnecessary shock may be produced, a day should be fixed, by which all the people and

the financial world may know on what to rely. France has illustrated our case entirely. What effect do you suppose these orators would have upon the French Chamber of Deputies, if they were to sound their alarm to that body with dire predictions of ruin from resumption, and from fixing a day and notifying the people when it was coming?

I am here reminded of the declaration of Napoleon, when it was proposed to him to resort to paper money in a financial pressure caused by his exhaustive wars. He wrote to his Minister, "*While I live I will never resort to irredeemable paper.*" And he never did.

But they also refer to England, as if they could find support in British history. I must not take your time to trace the financial experience of that country. England has been so thoroughly taught the same lessons as France on the subject of irredeemable paper currency, that these Democratic speeches, if made in that country, would be received with infinite derision. John Bull learns a great deal more by experience, than by didactic theories. The South Sea bubbles have made an indelible mark on his memory, and what he regrets in regard to his issue of irredeemable paper in 1797, is that he waited twenty-five years before resuming. He found that waiting so long made matters worse, and it became a question with him then, as it is now with us, whether resumption should pass into the indefinite future and become impossible, or should be fixed for some reasonable date, and accomplished as a part of the national destiny? What he should also regret is, that while under the stupor of suspension, he suffered silver to be demonetized. To refuse to take the necessary steps for a return to a sound and honest currency, would be political infidelity.

In their tirade against everything done by our Government, these orators seek to make a point by comparing the rate of taxation, *per capita*, in this country with the rates in England, in France and in Austria. They omit, however, to mention that we are *paying off our debt, and have already reduced it many hundred millions*, which England and those other monarchies never intend to do with theirs. The National debt is one of their permanent institutions, a guaranty of the perpetuity of royal and aristocratic power.

Let it not be supposed that the Republican party intends to cast discredit upon the greenback currency. That currency was issued for a great and necessary purpose, which it has fulfilled, and the character of the country is identified with the maintenance of its credit. Its existence reminds us of the patriotism of the people, and the devotion of all branches of the Government to the Union and welfare of the country. The greenbacks which have been issued are not to be discarded, but to be raised to the standard that is stamped upon their face, and made equal to gold and silver. No man has a right to complain of their redemption in coin, for they bear on their face the promise of the United States to pay them; and the Congress of the United States, in the act of 1864, pledged the faith of the Government to the holders of greenbacks and to the world, that "the total amount of United States notes issued, or to be issued, should never exceed four hundred millions," and in 1869 Congress again pledged the faith of the country to their payment "in coin or its equivalent," and to make provision, "at the earliest practicable period for their redemption in coin," and in 1875, in pursuance of its numerous promises already made, and already too long deferred, again promised that they should be made redeemable in gold and silver, on and after the 1st day of January, 1879. Both creditors and debtors therefore, and the business world have had due and timely notice of the resumption of specie payments under the existing law. When the process of equalizing the value of greenbacks and coin shall be complete, and they are redeemable in gold and silver, the motive of returning them to the Treasury will cease, and they will undoubtedly remain in circulation as currency, making as good a currency as this or any other country ever had. It would rest upon the same foundation of National credit, which that portion of the circulation of the Bank of England rests, that does not represent the deposit of gold and silver in the bank—that is to say, there is issued by the Bank of England an amount equal to seventy-five millions of dollars, which rests upon the credit of the Nation; beyond that, the paper issued represents the specie deposited in the bank. Our greenbacks would have this advantage over the similar circulation in England, that our Constitution precludes any increase in the volume of that kind of paper, in time of peace, while our

Government is bound to keep in the treasury sufficient specie to make its paper at all times redeemable in coin.

Let no man suppose, however, that greenbacks are to be the only currency used in the transaction of business. After the day of resumption, all the paper that shall be in circulation, or that shall be issued by whatever authority of law, will no longer be irredeemable, but will be convertible into coin at the option of the holder. Undoubtedly the resumption of specie payments will bring into use large amounts of gold and silver, so that the currency of the country, by the addition of coin, together with the greenbacks that shall remain in circulation, and the bank paper redeemable in gold and silver, will make a currency ample to meet the wants of trade.

I should have much greater apprehensions as to the success of specie payments, if I did not suppose that Congress would feel the urgent importance of restoring the silver dollar to its old place among our national coins as a full legal tender. I shall not take your time this evening to discuss the general grounds upon which I recommend the remonetization of silver. But there can be no reasonable doubt that the silver dollar may be efficiently and constitutionally used in the redemption of greenbacks and in the payment of our debts. By the Resumption act, which pledged the Government to return to specie payments January 1, 1879, the greenbacks are made already to approach gold in value, and will soon be equal to it. By the same token, if Congress shall remonetize the silver dollar it will directly be found equal to both paper and gold. I am pleased to see that even Mr. Wells, who represents the American monometallists, admits that such an act will bring silver to par with gold at our legal ratio of 16 to 1. I think so too.

Considering the abundant product of our own silver mines, the hope of procuring silver from abroad, the gold we have on hand, and that which we also produce, the credit of our bonds, the accumulating surplus of our revenues, the balance of trade in our favor, the unbounded wealth, present and prospective, of the Nation, and the undoubting faith of our people in the destiny of our country, there can be no failure. When the Government shall have made such preparations as it is now making, and as it can make before 1879, and declares resumption, as it has been commanded to do, and as it has promised to do,

in all the theorizers and croakers, domestic and foreign, will resist vain. Seated in the confidence of the American people, who will share in the blessings of this great National consummation, the United States Government can defy the threats of ambitious politicians and the predictions of theorists and speculators, at home and abroad, who, though they all should combine in one grand effort, can no more hinder the execution of this beneficent design, than could the Homeric gods and goddesses, by the golden chain let down from heaven, drag Jupiter from high Olympus.

MODUS OPERANDI  
OF  
RESUMPTION,

FROM

Speech Delivered at Toledo, Sept. 19, 1877.

I come now to the question of the resumption of specie payments, which is the most important issue at the present time between the two parties. We can discuss the expediency of re-monetizing silver with the Democratic orators, without much conflict of opinion. The conflict, however, is developed, when we consider what use is to be made of the re-monetized silver. The Democratic party propose the immediate repeal of the Resumption Act, and make no provision for, or suggestion of a return to specie payments at any time. In its platform of 1875, it proposed to repeal the *time fixed* for resumption, and merely hinted at the possibility of growing up to specie payments, at some indefinite, if not impossible time, in the future. But now the party has ceased to talk of resumption, except to urge the repeal of the only provision that has been made for it. Its platform and its orators, propose at one and the same time, the retention of the greenback currency—the re-monetization of silver, and the indefinite postponement of specie payments.

The first question that arises on this complex proposition is: How would the country be any better off, than it is now? Without specie payments, silver coin would no more come into use, than gold. The Republican party on the other hand proposes to make the re-monetized silver immediately available in the preparation for, and in the accomplishment of a sound currency of silver and gold, and of paper convertible into silver and gold at the option of the holder. Here is a direct issue between the two parties.

I claim that the Democratic plan is inert: that it can furnish no relief nor encouragement to the business community, while it exposes the country to the demoralizing effects of irredeemable

paper, and to mortifying comparisons and losses when we deal with foreign countries. On the other hand I claim, and hope to make it clear to every candid listener, that by the plan of resumption with both the precious metals and redeemable paper, we can make silver as well as gold immediately useful, in awakening new energy in business, with new encouragement to industry, and in diffusing general prosperity.

Before proceeding further let us inquire what that resumption is, for which the act of 14th Jan., 1875, provides. The language of the Act is, that "after Jan. 1st, 1879, the Secretary of the Treasury shall *redeem* in coin, the United States legal tender notes then outstanding *on their presentation for redemption*, at the Office of the Assistant Treasurer of the United States in the city of New York, in sums not less than fifty dollars."

"And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues from time to time, in the Treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United States described in the act of Congress, approved July 14th, 1870, entitled an Act to authorize the refunding the National debt, with like qualities, privileges, and exemptions, to the extent necessary to carry this act into full effect, and to use the proceeds thereof for the purposes aforesaid. And all provisions of law inconsistent with the provisions of this act are hereby repealed."

It thus appears, that the United States by this resumption Act provides for the "*redemption* of the United States notes, on their presentation for redemption at the office of the Assistant Treasurer of the United States in the city of New York." And this is the *resumption*, for which the Republican Administration is now preparing, and which the Democratic party denounces.

But this redemption does not retire from circulation, or cancel the greenbacks so presented and redeemed. By section 3579 of the Revised Statutes of the United States, it is provided "that when the United States notes are returned to the Treasury, the public interest may require." By section 3582, it is provided "that the authority given to the Secretary of the Treasury to make any reduction of the currency, by retiring and cancelling

United States notes, is suspended." The effect of the resumption act taken in connection with these provisions of the Revised Statutes would seem to be, that the redemption of the U. S. notes under this act does not prevent the Secretary of the Treasury from using them as money, and keeping them in circulation. This provision for the redemption of greenbacks by the Government, is to be construed like that which requires each National bank to select a bank "in the city of New York, at which it will *redeem* its circulating notes at par." The object of the redemption, is not to stop the circulation of the paper, but to preserve its credit, and make it circulate more freely. This is evidently the construction adopted by the Secretary of the Treasury, and upon which he is preparing to act, on, and after the 1st of January, 1879, as we learn from his speech recently made at Marion.

The language of the 1st section, which applies to and provides for the redemption of "fractional currency" is such, that, although the word "redemption" is used, the obvious meaning is, that the fractional currency shall be taken up with the silver change, or subsidiary coin. No man can doubt the meaning who reads it. The process of redemption is to go on, "until the whole amount of such fractional currency outstanding shall be redeemed." The plain implication is that there shall be none left outstanding.

The same may be said of the use of the term "redemption of United States notes" in connection with the *increase of bank* circulation in the 3d section of the same act, till the total is reduced to \$300,000,000. Here there can be no doubt, because "the reduction" of the volume of greenbacks is expressly provided for, and the limit of reduction is fixed at \$300,000,000. The provision for redemption on the 1st January, 1879, does not require any reduction of the greenback currency.

By the act of April 12, 1866. (14 Sts. U. S. 32. c. 39. 52.) the Secretary of the Treasury was authorized to receive United States notes for bonds, "provided, that of United States notes not more than ten millions of dollars may be *retired and cancelled* within six months from the passage of this act, and thereafter, not more than four millions in any month." This power, was exercised till \$44,000,000 were taken up. But they were not destroyed. The proviso impliedly authorized the "cancellation" of four millions per month. There is no provision for cancella-

tion, or retirement of the United States notes, in the clause of the act of 1875 for the redemption of United States notes presented in New York. The \$44,000,000 thus redeemed were not cancelled, however, but remained in the Treasury till 1873, when the panic swept over the country like a tornado. The Secretary of the Treasury, then, re-issued \$26,000,000 of the \$44,000,000 so redeemed.

The objection that such a re-issue of the United States notes redeemed after January 1st, 1879, would be forbidden by the constitution, is obviated by considering the limit of that objection, as expressed by the judges of the Supreme Court in deciding the question of the validity of the legal tender notes to pay debts. The objection was not, that Congress could not make a paper currency, but that it could not constitutionally make such a currency a legal tender to pay pre-existing debts, excepting in case of an overwhelming emergency such as was our civil war; and the reason of the objection was, that it was compelling creditors to accept in payment, a currency less valuable than that contemplated by the contract, viz: irredeemable paper. Now, the continuance of the use of a paper currency which has long been in use, stands on entirely different ground, and the objection will not lie, unless Congress should attempt to increase the volume of that currency, by new issues, so as to diminish its value. In that event, the constitutional objection would arise, to any such new issue. But the law as existing, contemplates the volume of greenbacks as a currency provided by congress, expressly limited to \$400,000,000, reducible to \$300,000,000 on the issue of bank paper, as provided by the resumption act. But there is still another answer to the suggestion of unconstitutionality, viz: that this paper will be always convertible into coin.

While the Government might not be compelled by the law as it stands, to re-issue all notes redeemed in New York, any more than it would be compelled to re-issue all notes which may be returned to the treasury by payment of taxes or otherwise, it will be authorized to regard them as legitimate currency, and to use them as such.

The Secretary of the Treasury makes no allusion to the re-monetization of the silver dollar. He took the law as it stands. But this measure of re-monetization will greatly facilitate the redemption which the law requires.

Allow me now to suggest a *modus operandi*, or manner in which this plan can be carried into effect.

1st. Congress should remonetize the old silver dollar containing  $371\frac{1}{4}$  grains of pure silver. There is already a law for casting bars of silver, and of gold, with the government stamp thereon showing their weight and value. It is not probable that there will be any effectual opposition to this, or some equivalent measure.

2nd. Let the Secretary of the Treasury go on with the sale of the United States Bonds, for both gold and silver. Let him not fail to accumulate from \$100,000,000 to \$200,000,000 in silver, in addition to the \$50,000,000 already required by law for subsidiary coinage. Let him also go on with his accumulation of gold of which he already has more than \$120,000,000.

On or before Jan. 1st, 1879, let a sufficient amount of coin be placed in the Office of the Assistant Treasurer of the United States in New York, to redeem all the U. S. notes which may be presented, as the law requires. Such notes will be put immediately into circulation again, if the Government shall have occasion to use them, in the same manner, as a bank re-issues its notes which have been presented for redemption, thus in all probability, keeping the greenback circulation nearly, and perhaps quite as large as it is at the present time, and far more useful, as it would be convertible, and therefore always equal to gold and silver. This is undoubtedly practicable. The Government can and ought to do it, and I cannot doubt that it intends to do it, and is willing, and waiting to do it. We may fairly infer this, from the declarations of the Secretary of the Treasury, in the speech to which I have referred.

We are now prepared to understand the real difference between the policy of the Democratic party, and that of the republican Administration, on the all important question of what is to be done with the greenbacks.

The Democratic party would keep them irredeemable. The Republican will make them always convertible into silver and gold, than which no better currency for the business man, the working man, or the capitalist, can be imagined. This paper will be equal to gold. The Treasury will be so fortified with the precious metals as to be impregnable, and its known ability to meet all demands for coin will, ordinarily, leave no motive in the holders of greenbacks to present them. The reserve which

the National Banks hold in greenbacks will be equivalent to coin, and the banks will be able to supply themselves with coin as easily as with paper.

Capital will go into business enterprises, without fear of loss by depreciation of the currency. Enterprising business men will not fear to effect loans for the purpose of commencing, or carrying on manufacturing establishments, because the currency which they borrow will be as good as the currency which they will have to pay. The wages of labor and the interest on capital will be paid in the same kind of money, and not as hitherto, in gold to the bond holder, and in depreciated paper to the working man. I maintain, that this policy will produce the grand confidence, which is necessary to carry forward the business of the country, encourage every kind of industry, and give profitable employment to all who are willing to work.

Of the practicability of making the United States notes redeemable as we propose, there is no good reason to doubt. The Secretary of the Treasury expresses entire confidence of success, and that without reference to the aid to come from silver. But there is a felicity in the accumulation of silver at the present time, which could not under other circumstances exist. Nothing could be safer than for the government to hoard silver, as soon as it shall be re-monetized. It is about 10 per cent. below par. However it might be with others, it is sure to be a profitable investment for the United States. The government will have use for all it can get, at par. I am glad to observe, that the government is now buying silver bars, by the million of ounces. This, I suppose is in pursuance of the law authorizing the purchase of \$50,000,000 of silver for subsidiary coinage. There is also power to coin the trade dollar with 378 grains of pure, and 420 grains of standard silver, intended for use in Asia. I presume, that the government will see to it, that no more bullion, whether of silver or of gold shall go from our mines to Europe.

Our silver will facilitate our trade with the Asiatic markets, and may enable us to compete successfully in that great field, with England. We need have no fear of accumulating too much of that metal. The result will be that our silver coin will be as valuable as our gold, and that we can pay the bonds as easily in gold as in silver.

There is reason to suppose that the growth and renewed activity of the business of the country, and its commerce aided by



resumption, may furnish employment for a volume of currency as large as we now have. At any rate, what with coin which will be largely in circulation, the Greenbacks which will not be cancelled, and the paper of the National banks, there can, and will be no failure in the supply of currency for the wants of trade, and the encouragement of every useful enterprise.

I have no doubt that the present policy of the administration is, to keep the greenbacks in circulation. The capacity of the country is probably equal to the employment of so much currency. The advantage of the policy will be that the currency will be elastic, and will expand or contract to meet the just demands of healthful trade. Coin will be in circulation, and will come as it is needed. The banks too, will issue currency as it shall be needed. There would be danger of greater expansion than would be wholesome, but for the universal test of redeemability in coin. While that quality remains, our currency will not be for any considerable time, disproportioned to the reasonable demands of our trade and capital.

With the present immense agricultural products of this country, with the products of our mines of gold and of silver, of copper and of iron, with our varied and vast manufactures which have been reasonably fostered only by the republican party, and which have employed and still employ armies of workmen, and with the large balance of trade with foreign countries in our favor, a balance which by the short crops and the long war in Europe is sure to increase, specie payments will be reached, not only without shock to business, but with universal encouragement, and with actual exhilaration of industry and enterprise.

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